

Table 3

BRITE Star II Configuration for Historical Contracts				
N00164-01-D-0011	N00164-07-D-8577	N00164-08-D-JQ40 & N00164-12-C-JQ09	N00164-12-C-JQ42 -	N00164-12-D-JQ18
Turret Unit (TU)	Turret FLIR Unit (TFU)	Turret FLIR Unit (TFU)	Turret FLIR Unit (TFU)	Turret FLIR Unit (TFU)
All of the TFUs have the following like components incorporated				
Laser Designator (LD) Three field-of-view (FOV) Medium wave Infrared (MWIR) staring focal plane array (FPA) Imager	Non-eye safe Laser Designator (LD) Three field-of-view high resolution color TV camera (TV)	Non-eye safe Laser Designator (LD) Three field-of-view high resolution color TV camera (TV)	Laser Designator (LD) Three field-of-view Electro- Optic (EO) charged coupled Device (CCD) Color Camera	Laser Designator (LD) Three field-of-view Electro- Optic (EO) charged coupled Device (CCD) Color Camera
Class 1 laser rangefinder (LFR)	Class 1 eye-safe Laser Rangefinder (LFR)	Class 1 eye-safe Laser Rangefinder (LFR)	Diode Pumped laser Rangefinder (DPLR)	Diode Pumped laser Rangefinder (DPLR)
Below are the components that are different on each TFU				
Electronics Unit (EU)	Central Electronics Unit (CEU)	Central Electronics Unit (CEU)	Central Electronics Unit (CEU)	Central Electronics Unit (CEU)
Hand Control Unit (HCU)	Universal Hand Control Unit (UHCU)	Universal Hand Control Unit (UHCU)	Universal hand Control Unit (UHCU)	Universal Hand Control Unit (UHCU)
	Video Display Unit (VDU)	Video Display Unit (VDU)		

Table 4 below summarizes the procurement history of BRITE Star II Systems.

Table 4

Contract Number	Competitive or Sole Source	Maximum Quantity	Commercial Non-Commercial
N00164-01-D-0011	Competitive	125	Non-Commercial
N00164-07-D-8577	Sole Source	2	Non-Commercial
N00164-08-D-JQ40	Sole Source	147	Non-Commercial
N00164-12-C-JQ42	Competitive - Brand Name or Equal	4	Non-Commercial
N00164-12-C-JQ09	Sole Source	11	Commercial
N00164-12-D-JQ18	Competitive - Brand Name or Equal	15	Commercial

#### C. Source Selection

This procurement is being done on a sole source basis. See J&A CR-12239 approved on 16 December 2012 by (b)(6), Senior Procurement Executive, See Attachment 2. This contract will utilize price analysis, which will include comparison of the proposed prices to competitive published price lists, GSA schedule, and by a comparison of historical prices paid by the Government and Non-Government customers.

#### D. Type of Contract

This contract is anticipated to be awarded as a firm fixed price, indefinite delivery, indefinite quantity "D" contract for the acquisition of production hardware,

A fixed price supply type contract is considered to be appropriate for the CLINs for production and upgrade of AN/AAQ-22D BRITE Star to AN/AAQ-22E BRITE Star Block II, cables, OEM Depot Repair actions, priced data deliverable, provisioned item orders, and operator training. This type of contract is appropriate IAW FAR 12.207 agencies shall use firm-fixed priced contracts or fixed-price contracts with economic price adjustment for the acquisition of commercial items.

The BRITE Star II is considered a commercial item as it is similar to the Star SAFIRE III sold on the commercial market as depicted in Table 5 below. The BRITE Star II is essentially a Star SAFIRE III with added laser designator package. The modification does not change the fundamental commercial function or purpose of the system. The BRITE Star II systems have the same electro-optical and thermal imaging functionality as the Star SAFIRE systems, but with a larger and more expensive gimbal that can accommodate the optional laser package found only on the BRITE Star II System. NSWC Crane Chief of Contracting Office (b)(6) approved commercial determination on 18 May 2012 (See Attachment 3).

Table 5

The laser package does expand functionality of the system so that military customers can use the sensor (b)(6). The optional laser guidance payload package is comprised of (b)(6).



FLIR has submitted to the Government that the price associated with the Laser Designator is estimated to be [REDACTED] offered to the Government under this solicitation.

The EO/IR and thermal imaging systems are used extensively in the security and surveillance industry for border security, coastal and harbor monitoring and civilian anti-piracy defense. They are also used for high-value asset protection at sites such as airports or nuclear power facilities. The oil and gas industry uses EO/IR sensors to detect marine oil spills, by capturing multi-temporal images in order to acquire information needed to model the spread of an oil spill, for use in organizing cleanup operations, controlling the oil spill response and for the early and rapid detection of oil spills. IR systems are also used for inspection of high voltage power lines, searching for insulator damage and for stand-off inspection of electrical substations. Non-government customers include: [REDACTED] (b)(6)

[REDACTED] (b)(6) The Star SAFIRE HD was sold from 2008 to 2010, in quantities ranging between one to five units, for use in security and surveillance, commercial aircraft sales, security harbor monitoring, and airborne petroleum line inspection. The Star SAFIRE III was sold in 2006 for use in airborne petroleum line inspection, commercial rescue and air ambulance services, and other commercial aircraft sales. Sales quantities ranged from one to four units.

Table 6 below summarizes the invoice information for each customer that has bought Star SAFIRE III and BRITE Star II systems:

Table 6

Customer Name	System	Price	QTY	Invoice Date
(b)(4)	Star SAFIRE III/No Main Sensor Cable/No Laser Designator	(b)(4)	1	11/20/2009
	Star SAFIRE III/No Main Sensor Cable/No Laser Designator	(b)(4)	1	2/1/2009
	Star SAFIRE III/with Main Sensor Cable/No Laser Designator	(b)(4)	1	3/12/2010
	Star SAFIRE III/with Main Sensor Cable/No Laser Designator	(b)(4)	1	3/12/2010
	Star SAFIRE III/with Main Sensor Cable/No Laser Designator	(b)(4)	1	7/7/2011
	Star SAFIRE III/with Main Sensor Cable/No Laser Designator	(b)(4)	1	8/30/2011
	Star SAFIRE III/with Main Sensor Cable/No Laser Designator	(b)(4)	1	9/23/2011
	Star SAFIRE III/with Main Sensor Cable/No Laser Designator	(b)(4)	1	10/13/2011
	BRITE Star II/with Main Sensor Cable/with Laser Designator	(b)(4)	1	10/15/2010
	BRITE Star II/with Main Sensor Cable/with Laser Designator	(b)(4)	1	11/12/2010
	BRITE Star II/with Main Sensor Cable/with Laser Designator	(b)(4)	1	11/22/2010
	BRITE Star II/with Main Sensor Cable/with Laser Designator	(b)(4)	1	12/23/2010
	BRITE Star II/with Main Sensor Cable/with Laser Designator	(b)(4)	1	2/18/2011
	BRITE Star II/with Main Sensor Cable/with Laser Designator	(b)(4)	1	11/30/2011
	BRITE Star II/with Main Sensor Cable/with Laser Designator	(b)(4)	1	12/9/2011



These prices are based on invoices provided by FLIR Systems, Inc. All Systems have established catalog prices that are regularly maintained by FLIR System in an internal commercial price list. It is clear that Star SAFIRE III has been sold to non-governmental customers for non-governmental purposes (see Table 2). DCMA has confirmed that the BRITE Star II is produced in the same facilities and same production line as the other FLIR EO/IR products. There are no non-commercial provisions required in this contemplated contract for the BRITE Star II. FLIR Systems, Inc. product was found to meet the Governments requirements and no other known source exists at the time BRITE Star II was being developed. A Government performance baseline (PBL) currently delineates the BRITE Star II system. The only way that either the Government or FLIR Systems, Inc. can change anything in the BRITE Star II system configuration is via an executed Engineering Change Proposal (ECP). Quality Requirements are ISO 9000 or equivalent.

FLIR has offered to the Government the ability to procure

(b)(4)

(b)(4)

(b)(4) This price is in line with N00164-08-D-JQ40 price (b)(4) as FLIR Systems, Inc. made a business decision to keep pricing consistent to maintain the business relationship that has been built over the last 17 years. As described later in this document, the proposed unit price of (b)(4) is slightly lower than the negotiated price of (b)(4) per unit for the BRITE Star on contract N00164-08-D-JQ40. Under negotiations for contract N00164-08-D-JQ40, the Government was able to obtain a (b)(4) (FLIR originally proposed a unit price of (b)(4) and FLIR has maintained the unit price (slightly lower) for this procurement. Price analysis will determine a fair and reasonable price for this requirement. Price analysis will be based on a comparison of the offered price to the historical data from previous contract for the BRITE Star II IAW FAR 15.404-1(b)(2)(ii), comparison to the GSA price list, comparison to Commercial Price List and comparison to other historical data IAW FAR 15.404-1(b)(2)(iv).

The commerciality determination did not include the upgrades. Prior history from the N00164-08-D-JQ40 contract shows that there were only (b)(4) procured on the contract. Currently there are a maximum of (b)(4) BRITE Star I that could be upgraded. The upgrades involve a commercial BRITE Star I being upgraded to a commercial BRITE Star II. The steps involved in upgrading the BRITE Star I to a BRITE Star II involve the TFU being replaced with a new TFU and the CEU and UHCU the software is upgraded to the BRITE Star II configuration. All the components are commercial, non-Governmental customers as well as Government customers utilize these components.

Based on these facts, the BRITE Star II was designated as a commercial item, as defined by FAR 2.101, and is being procured using FAR Part 12 procedures.

#### SECTION V



# PRE-NEGOTIATION COST ANALYSIS/PROPOSAL RECEIPT, ANALYSIS AND EVALUATION

Cost Analysis is not being performed IAW FAR 15.403-1(b)(3) (see standards in paragraph (c)(3) IAW FAR 15.403-1 (c)(3)) - commercial items are exempt. This will be a Sole Source Commercial Contract to FLIR Systems, Inc.

Solicitation N00164-13-R-JQ08 was issued 18 January 2013. FLIR Systems, Inc. proposal was received on 19 February 2013, and Technical Evaluation was received on 01 March 2013.

FLIR Systems, Inc. did not escalate pricing on a number of CLINs. On other CLINs FLIR Systems, Inc. proposed a (b)(4) escalation rate. For those CLINs, the Government takes exception to FLIR Systems, Inc. escalation rate of (b)(4). The Contract Specialist utilized the Producer Price Index to calculate an average on the escalation rate for NAICS 334511 search, detection and navigation instruments which calculated to be a 2.2% escalation rate. A 2% escalation rate has been utilized for the out years of the contract for the Government position. The chart below summarizes the escalation trend.

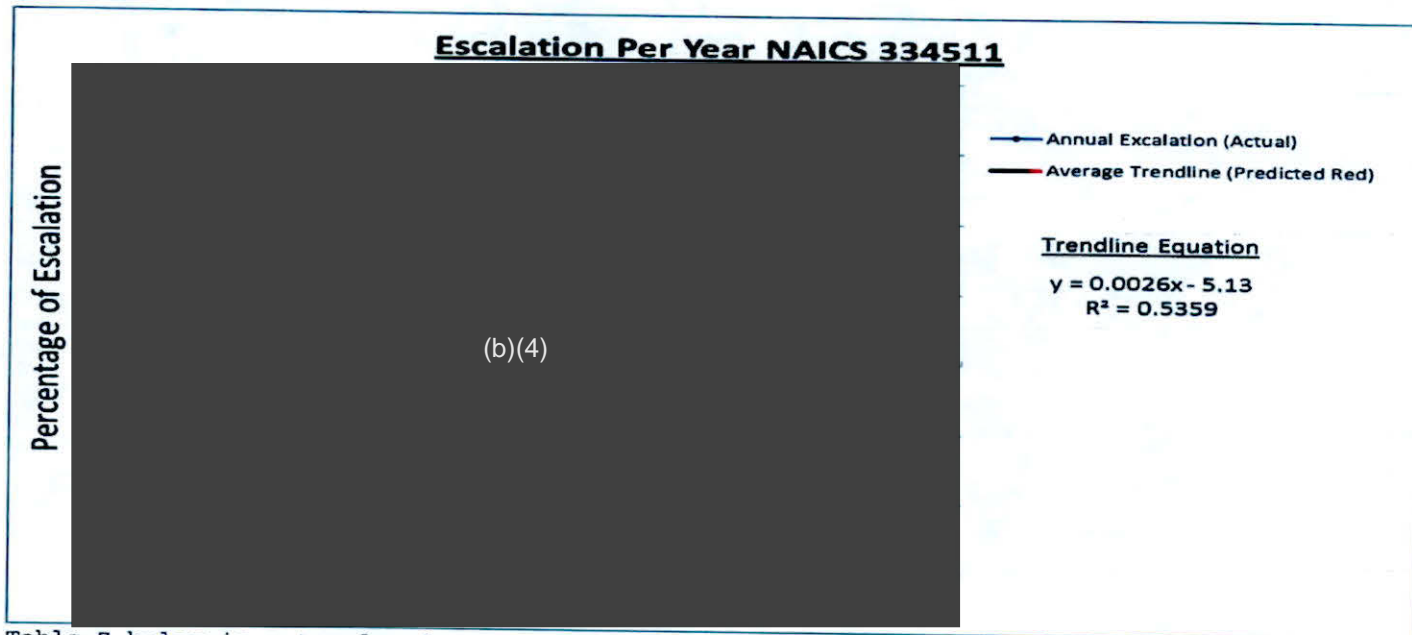


Table 7 below is a top level summary of the contemplated contract.

Table 7

CLIN	Description	Total	
		Proposed	Govt
0001	AN/AAQ-22E System	(b)(4)	\$20,193,448
0002	AN/AAQ-22E System	(b)(4)	\$28,973,208
0003	Upgrade	(b)(4)	\$16,196,736
0004 - 0035	Other Components	(b)(4)	\$18,536,012
0036	Priced Data (CDRLs)	(b)(4)	\$912,980
0037	Priced Data (CDRLs)	(b)(4)	\$912,980
0040	Data (CDRL A011)	(b)(4)	\$782,075
0041	Data (CDRL A011)	(b)(4)	\$782,075
0042	Training	(b)(4)	\$56,712
0043	Training	(b)(4)	\$56,712
0044 & 0045	Class I ECP	(b)(4)	\$200,000
0048 & 0049	PIO Spares	(b)(4)	\$49,310,000
0050 & 0051	Engineering Services	(b)(4)	\$500,000
Total Value of the five (5) year contract		(b)(4)	\$137,412,938



Tables 8 - 12 are FLIR's proposed unit price and the Government's pre-negotiation unit price per CLIN per year. These tables have been split out by Year for ease of reading. See Attachment 4 for a comprehensive table.

Table 8

CLIN	Description	RTA Projected Qty	Year 1		Total	
			Proposed	Govt	Proposed	Govt
0001	AN/AAQ-22E System	6	(b)(4)	\$877,976	(b)(4)	\$5,267,856
0002	AN/AAQ-22E System	0	(b)(4)	\$877,976	(b)(4)	\$0
0003	Upgrade	6	(b)(4)	\$674,864	(b)(4)	\$4,049,184
0004	W-15 Cable	0	(b)(4)	\$4,246	(b)(4)	\$0
0005	W-15 Cable	0	(b)(4)	\$4,094	(b)(4)	\$0
0007	TT&E (TFU)	0	(b)(4)	\$800	(b)(4)	\$0
0010	TT&E (CEU)	0	(b)(4)	\$600	(b)(4)	\$0
0013	TT&E (UHCU)	0	(b)(4)	\$400	(b)(4)	\$0
0016	TT&E (TFU)	0	(b)(4)	\$800	(b)(4)	\$0
0019	TT&E (TFU)	0	(b)(4)	\$800	(b)(4)	\$0
0022	TT&E (CEU)	0	(b)(4)	\$600	(b)(4)	\$0
0025	TT&E (CEU)	0	(b)(4)	\$600	(b)(4)	\$0
0028	TT&E (UHCU)	0	(b)(4)	\$400	(b)(4)	\$0
0031	TT&E (UHCU)	0	(b)(4)	\$400	(b)(4)	\$0
0034	TT&E (UHCU)	0	(b)(4)	\$400	(b)(4)	\$0
0036	Priced Data (CDRLs)	1	(b)(4)	\$175,380	(b)(4)	\$175,380
0037	Priced Data (CDRLs)	1	(b)(4)	\$175,380	(b)(4)	\$175,380
0040	Data (CDRL A011)	1	(b)(4)	\$150,275	(b)(4)	\$150,275
0041	Data (CDRL A011)	1	(b)(4)	\$150,275	(b)(4)	\$150,275
0042	Training	1	(b)(4)	\$10,900	(b)(4)	\$10,900
0043	Training	1	(b)(4)	\$10,900	(b)(4)	\$10,900
Total Year 1					(b)(4)	\$9,990,150

Table 9

CLIN	Description	RTA Projected Qty	Year 2		Total	
			Proposed	Govt	Proposed	Govt
0001	AN/AAQ-22E System	11	(b)(4)	\$877,976	(b)(4)	\$9,657,736
0002	AN/AAQ-22E System	10	(b)(4)	\$877,976	(b)(4)	\$8,779,760
0003	Upgrade	5	(b)(4)	\$674,864	(b)(4)	\$3,374,320
0004	W-15 Cable	0	(b)(4)	\$4,331	(b)(4)	\$0
0005	W-15 Cable	0	(b)(4)	\$4,176	(b)(4)	\$0
0007	TT&E (TFU)	0	(b)(4)	\$816	(b)(4)	\$0
0010	TT&E (CEU)	0	(b)(4)	\$612	(b)(4)	\$0
0013	TT&E (UHCU)	0	(b)(4)	\$408	(b)(4)	\$0
0016	TT&E (TFU)	0	(b)(4)	\$816	(b)(4)	\$0
0019	TT&E (TFU)	0	(b)(4)	\$816	(b)(4)	\$0
0022	TT&E (CEU)	0	(b)(4)	\$612	(b)(4)	\$0
0025	TT&E (CEU)	0	(b)(4)	\$612	(b)(4)	\$0
0028	TT&E (UHCU)	0	(b)(4)	\$408	(b)(4)	\$0
0031	TT&E (UHCU)	0	(b)(4)	\$408	(b)(4)	\$0
0034	TT&E (UHCU)	0	(b)(4)	\$408	(b)(4)	\$0
0036	Priced Data (CDRLs)	1	(b)(4)	\$178,900	(b)(4)	\$178,900
0037	Priced Data (CDRLs)	1	(b)(4)	\$178,900	(b)(4)	\$178,900
0040	Data (CDRL A011)	1	(b)(4)	\$153,300	(b)(4)	\$153,300
0041	Data (CDRL A011)	1	(b)(6)	\$153,300	(b)(4)	\$153,300
0042	Training	1	(b)(6)	\$11,120	(b)(4)	\$11,120
0043	Training	1	(b)(6)	\$11,120	(b)(4)	\$11,120
Total Year 2					(b)(4)	\$22,498,456



Table 10

CLIN	Description	RTA Projected Qty	Year 3		Total	
			Proposed	Govt	Proposed	Govt
0001	AN/AAQ-22E System	2	(b)(4)	\$877,976	(b)(4)	\$1,755,952
0002	AN/AAQ-22E System	10	(b)(4)	\$877,976	(b)(4)	\$8,779,760
0003	Upgrade	5	(b)(4)	\$674,864	(b)(4)	\$3,374,320
0004	W-15 Cable	0	(b)(4)	\$4,418	(b)(4)	\$0
0005	W-15 Cable	0	(b)(4)	\$4,260	(b)(4)	\$0
0007	TT&E (TFU)	0	(b)(4)	\$832	(b)(4)	\$0
0010	TT&E (CEU)	0	(b)(4)	\$624	(b)(4)	\$0
0013	TT&E (UHCU)	0	(b)(4)	\$416	(b)(4)	\$0
0016	TT&E (TFU)	0	(b)(4)	\$832	(b)(4)	\$0
0019	TT&E (TFU)	0	(b)(4)	\$832	(b)(4)	\$0
0022	TT&E (CEU)	0	(b)(4)	\$624	(b)(4)	\$0
0025	TT&E (CEU)	0	(b)(4)	\$624	(b)(4)	\$0
0028	TT&E (UHCU)	0	(b)(4)	\$416	(b)(4)	\$0
0031	TT&E (UHCU)	0	(b)(4)	\$416	(b)(4)	\$0
0034	TT&E (UHCU)	0	(b)(4)	\$416	(b)(4)	\$0
0036	Priced Data (CDRLs)	1	(b)(4)	\$182,500	(b)(4)	\$182,500
0037	Priced Data (CDRLs)	1	(b)(4)	\$182,500	(b)(4)	\$182,500
0040	Data (CDRL A011)	1	(b)(4)	\$156,300	(b)(4)	\$156,300
0041	Data (CDRL A011)	1	(b)(4)	\$156,300	(b)(4)	\$156,300
0042	Training	1	(b)(4)	\$11,340	(b)(4)	\$11,340
0043	Training	1	(b)(4)	\$11,340	(b)(4)	\$11,340
Total Year 3			(b)(4)		(b)(4)	\$14,610,312

Table 11

CLIN	Description	RTA Projected Qty	Year 4		Total	
			Proposed	Govt	Proposed	Govt
0001	AN/AAQ-22E System	2	(b)(4)	\$877,976	(b)(4)	\$1,755,952
0002	AN/AAQ-22E System	10	(b)(4)	\$877,976	(b)(4)	\$8,779,760
0003	Upgrade	5	(b)(4)	\$674,864	(b)(4)	\$3,374,320
0004	W-15 Cable	0	(b)(4)	\$4,506	(b)(4)	\$0
0005	W-15 Cable	0	(b)(4)	\$4,345	(b)(4)	\$0
0007	TT&E (TFU)	0	(b)(4)	\$849	(b)(4)	\$0
0010	TT&E (CEU)	0	(b)(4)	\$636	(b)(4)	\$0
0013	TT&E (UHCU)	0	(b)(4)	\$424	(b)(4)	\$0
0016	TT&E (TFU)	0	(b)(4)	\$849	(b)(4)	\$0
0019	TT&E (TFU)	0	(b)(4)	\$849	(b)(4)	\$0
0022	TT&E (CEU)	0	(b)(4)	\$636	(b)(4)	\$0
0025	TT&E (CEU)	0	(b)(4)	\$636	(b)(4)	\$0
0028	TT&E (UHCU)	0	(b)(4)	\$424	(b)(4)	\$0
0031	TT&E (UHCU)	0	(b)(4)	\$424	(b)(4)	\$0
0034	TT&E (UHCU)	0	(b)(4)	\$424	(b)(4)	\$0
0036	Priced Data (CDRLs)	1	(b)(4)	\$186,200	(b)(4)	\$186,200
0037	Priced Data (CDRLs)	1	(b)(4)	\$186,200	(b)(4)	\$186,200
0040	Data (CDRL A011)	1	(b)(4)	\$159,500	(b)(4)	\$159,500
0041	Data (CDRL A011)	1	(b)(4)	\$159,500	(b)(4)	\$159,500
0042	Training	1	(b)(4)	\$11,562	(b)(4)	\$11,562
0043	Training	1	(b)(4)	\$11,562	(b)(4)	\$11,562
Total Year 4			(b)(4)		(b)(4)	\$14,624,556



Table 12

CLIN	Description	RTA Projected Qty	Year 5		Total	
			Proposed	Gov't	Proposed	Gov't
0001	AN/AAQ-22E System	2	(b)(4)	\$877,796	(b)(4)	\$1,755,592
0002	AN/AAQ-22E System	3	(b)(4)	\$877,796	(b)(4)	\$2,633,388
0003	Upgrade	3	(b)(4)	\$674,864	(b)(4)	\$2,024,592
0004	W-15 Cable	11	(b)(4)	\$4,596	(b)(4)	\$50,556
0005	W-15 Cable	8	(b)(4)	\$4,432	(b)(4)	\$35,456
0007	TT&E (TFU)	30	(b)(4)	\$866	(b)(4)	\$25,980
0010	TT&E (CEU)	20	(b)(4)	\$649	(b)(4)	\$12,980
0013	TT&E (UHCU)	25	(b)(4)	\$432	(b)(4)	\$10,800
0016	TT&E (TFU)	278	(b)(4)	\$866	(b)(4)	\$240,748
0019	TT&E (TFU)	277	(b)(4)	\$866	(b)(4)	\$239,882
0022	TT&E (CEU)	200	(b)(4)	\$649	(b)(4)	\$129,800
0025	TT&E (CEU)	200	(b)(4)	\$649	(b)(4)	\$129,800
0028	TT&E (UHCU)	322	(b)(4)	\$432	(b)(4)	\$139,104
0031	TT&E (UHCU)	108	(b)(4)	\$432	(b)(4)	\$46,656
0034	TT&E (UHCU)	10	(b)(4)	\$432	(b)(4)	\$4,320
0035 <sup>1</sup>	Over & Above Repairs	1	(b)(4)	NTE \$17,747,220	(b)(4)	\$17,469,930
0036	Priced Data (CDRLs)	1	(b)(4)	\$190,000	(b)(4)	\$190,000
0037	Priced Data (CDRLs)	1	(b)(4)	\$190,000	(b)(4)	\$190,000
0040	Data (CDRL A011)	1	(b)(4)	\$162,700	(b)(4)	\$162,700
0041	Data (CDRL A011)	1	(b)(4)	\$162,700	(b)(4)	\$162,700
0042	Training	1	(b)(4)	\$11,790	(b)(4)	\$11,790
0043	Training	1	(b)(4)	\$11,790	(b)(4)	\$11,790
0044	Class I ECP	1		NTE \$200,000	(b)(4)	\$200,000
0048	PIO Spares	1		NTE \$49,310,000	(b)(4)	\$49,310,000
0050	Engineering Services	1		NTE \$500,000	(b)(4)	\$500,000
Total Year 5					(b)(4)	\$75,688,564
Grand Total					(b)(4)	\$137,412,938

<sup>1</sup> Note: The J&A amount for ALL repairs (TT&E plus Over & Above) is \$18,450,000. The CLIN 0035 amount is derived from subtracting the sum of all TT&E ELINs from \$18,450,000.

FLIR Systems, Inc. proposed a total dollar value of (b)(4) for the five (5) year contract. This was calculated with the RTA's projected quantities being multiplied by the proposed price for each CLIN per year. The Government's pre-negotiation objective position is for a total dollar value of \$137,412,938 for the five (5) year contract. This was calculated with the RTA's projected quantities being multiplied by the objective price for each CLIN per year. The Government will open negotiations with a position of \$136,334,134.

The Government position closely mimics the FLIR proposed price. The rationale is three fold:

1. FLIR proposed systems and upgrades, CLINS (0001-0003) that make up 47.57% of the Government position, at prices that are (b)(4) from the previous FY08 contract where the Government was able to realize substantial price reductions from FLIR. On these CLINS, FLIR (b)(4)
2. The not to exceed (NTE) CLINS (0007-0035, 0044, 0045, 0048-0051) are negotiated at time of requirement and thus (b)(4). These CLINS make up 49.11% of the Government position.
3. The areas where the Government takes the greatest exceptions to the FLIR prices and escalation are on the lower priced CLINS.

Table 13 summarizes FLIR Systems, Inc. proposed price, Commercial Price List, the Requiring Technical Activity (RTA) Government Estimate (GE), and the Government Position, prepared by the Contract Specialist.